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Macroeconomic policy questions: financing of development, including net transfer of resources between developing and developed countries

Mexico and Nigeria*: draft resolution

Towards a new international financial architecture, responsive to the priorities of growth and development, especially in developing countries, and to the promotion of economic and social equity

The General Assembly,

Reaffirming its resolution 54/197 of 22 December 1999 entitled "Towards a stable international financial system, responsive to the challenges of development, especially in the developing countries",

Recalling the United Nations Millennium Declaration[1] adopted by the Heads of State and Government on 8 September 2000, in particular paragraphs 11 to 14, 16 and 30,

Taking note of the high-level regional consultative meeting on financing for development held at Jakarta from 2 to 5 August 2000, which addressed issues relating to the identification of measures towards a more stable and predictable international financial system that is responsive to the challenges of development, from the regional perspective, in order to contribute to the preparatory process for the high-level international intergovernmental event on financing for development,

Emphasizing the importance of mobilizing in a coherent manner all sources available for the provision of international financing for development, inter alia, private capital flows, official development assistance, market access for goods and services from developing countries and external debt relief,

* On behalf of the States Members of the United Nations that are members of the Group of 77 and China.

[1] Resolution 55/2.

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Regretting that net financial flows to developing countries continued in 1999 the contraction that had begun with the onset of the financial crisis in 1997, and the continued marginalization of the least developed countries from private capital flows,

Emphasizing the importance of long-term investment flows, in particular foreign direct investment, to all developing countries as well as the need for international cooperation to promote the mobilization of new and additional capital for development,

Concerned about the excessive volatility of short-term speculative capital flows and the contagion effects of the behaviour of financial markets in time of crises,

Deeply concerned by the low levels of official development assistance,

Stressing the need for increased access to markets for goods and services that are of export interest to developing countries,

Emphasizing the importance of finding a durable solution to the problem of developing countries in meeting their external debt and debt-servicing obligations,

Encouraging the efforts to enhance the stabilizing role of regional and subregional financial institutions and arrangements in supporting the management of monetary and financial issues,

Underlining the urgent need to continue to work on a wide range of reforms for a strengthened and more stable international financial system with a view to enabling it to deal more effectively and in a timely manner with the new challenges of development in the context of global financial integration,

Stressing that the process of reform for a new international financial architecture should be based on broad participation, involving all members of the international community, to ensure that the diverse needs and interest of all countries are adequately represented,

Reaffirming that the United Nations, in fulfilling its role in the promotion of development, in particular of developing countries, plays an important role in the international efforts to build up the necessary international consensus for the reforms needed for a new international financial architecture,

Noting that the high-level international intergovernmental event on financing for development provides a unique opportunity to consider in an integrated manner all sources of financing for development, and mindful that in the Millennium Declaration the Heads of State and Government decided to make every effort to ensure its success,

1. *Welcomes* the report of the Secretary-General entitled "Towards a stable international financial system, responsive to the challenges of development, especially in the developing countries",[2] the addendum thereto on regional perspectives and developments provided by the regional commissions[3] and the addendum thereto provided by the United Nations Conference on Trade and

[2] A/55/187.
[3] A/55/187/Add.1.

Development on the work it has undertaken on the involvement of the private sector in the prevention and resolution on financial crisis;[4]

2. *Underlines* the utmost importance of implementing the resolve in the Millennium Declaration to create an environment — at the national and global levels alike — which is conducive to development and to the elimination of poverty, inter alia, through good governance within each country, as well as good governance at the international level and transparency in the financial, monetary and trading systems;

3. *Also underlines* the utmost importance of implementing the commitment in the Millennium Declaration to an open, equitable, rule-based, predictable and non-discriminatory multilateral trading and financial system;

4. *Stresses* the special importance of having an enabling international economic environment through strong cooperative efforts by all countries and institutions to promote equitable economic development in the world economy, and in this context invites developed countries, in particular major industrialized countries, which have significant weight in influencing world economic growth, when formulating their macroeconomic policies, to take into account their effects in terms of the external economic environment favourable to growth and development, in particular of developing countries;

5. *Reiterates* the urgent need of accelerating the growth and development prospects of the least developed countries, which remain the poorest and most vulnerable of the international community, and calls upon industrialized countries to facilitate the financing of their development, inter alia, through public and private financial flows, increased official development assistance, strengthened debt relief, and the provision of full market access to their exports and enhanced balance-of-payments support;

6. *Recognizes* the stability of the international financial system as an important global public good and a necessary condition for positive financial flows for development and, in this context, calls upon major industrialized countries, whose policies have significant impact on most economies, to adopt and pursue policies, including exchange rates policy coordination, with particular attention to the coherence of their policies with global objectives and priorities, as well as to the needs of international financial stability and the importance of facilitating international financial flows for the development of developing countries, and requests the United Nations Development Programme to provide information to the General Assembly at its fifty-sixth session about the analysis it has undertaken of international financial stability as a global public good;

7. *Emphasizes* in this regard the need to continue national, regional and international efforts to promote international financial stability and, to this end, to improve early warning, prevention and response capabilities for dealing with the emergence and spread of financial crises in a timely manner, taking a comprehensive and long-term perspective while remaining responsive to the challenges of development and the protection of the most vulnerable countries and social groups;

8. *Stresses* the importance of strong domestic institutions to promote financial stability for the achievement of growth and development, inter alia,

[4] A/55/187/Add.2.

through sound macroeconomic policies and policies aimed at strengthening the regulatory systems of the financial and banking sectors, including improving measures in destination and source countries to reduce the risks of excessive international financial volatility and measures to ensure orderly, gradual and well-sequenced capital account liberalization processes;

9. *Emphasizes* the importance of deepening the convergence of the efforts of all international institutions able to contribute to the strengthening of the international financial architecture, particularly in regard to the preparatory process for the high-level international intergovernmental event on financing for development;

10. *Underlines* the need for broadening and strengthening the participation of developing countries in the international economic decision-making and norm-setting processes, in order to promote more efficient international financial institutions and arrangements in which all relevant interests can be effectively represented;

11. *Emphasizes* the importance of the increased participation of developing countries in the work of the international institutions dealing with the reform of the international financial architecture, in particular the International Monetary Fund, as well as the Financial Stability Forum and the relevant committees affiliated with the Bank for International Settlements, and in this regard encourages the efforts of those institutions to give more representation to developing countries and welcomes the work being undertaken by the International Monetary Fund to design a quota formula that better reflects current economic realities;

12. *Expresses* the need for multilateral surveillance by the International Monetary Fund and regional and subregional institutions of all countries in a symmetrical manner, in particular enhanced surveillance by the Fund of major industrialized countries because their macroeconomic policies affect the growth of world trade and international financial flows, and may be the source of systemic shocks and vulnerabilities;

13. *Emphasizes* that the international financial institutions, in providing policy advice and supporting adjustment programmes, should ensure that they are sensitive to the specific circumstances and implementing capacities of concerned countries and to the special needs of developing countries, and should work towards the best possible outcomes in terms of growth and development, including employment and poverty eradication, and that their conditionality should not include issues which by their very nature should be decided by national authorities, based on broad social consensus and, in this context, requests the International Labour Organization, within its mandate, to provide information to the General Assembly at its fifty-sixth session about the work it has undertaken on the social impact of the financial crisis and, in particular, the consequences of the adjustment programmes on employment;

14. *Underlines* the need for adequate resources at the subregional, regional and international levels to provide emergency financing in a timely manner to countries affected by financial crisis, in particular access to adequate supplementary liquidity by the International Monetary Fund;

15. *Reiterates* the need to develop further early warning capacities to address in a timely manner the threat of financial crisis, and in this regard encourages the

International Monetary Fund and other relevant international and regional institutions to continue their efforts to contribute to this process;

16. *Calls upon* the international community, in particular the World Bank and the regional development banks, and other relevant international and regional institutions, including the regional commissions, working with the private sector, to promote long-term private financial flows, especially foreign direct investments, including through enhanced technical cooperation, to all developing countries, in particular the least developed countries and other developing countries with special difficulties in attracting private financial flows, including those in Africa, small island developing countries, and land-locked and transit developing countries, and, in this context, requests the United Nations Conference on Trade and Development to report on this matter to the General Assembly at its fifty-sixth session;

17. *Encourages* national, regional and international efforts to improve the institutional framework in which financial markets operate and to minimize the negative impacts of the excessive volatility of global financial flows, and, in this context, reiterates the need to consider the establishment of regulatory frameworks for short-term capital flows and trade in currencies;

18. *Emphasizes* that it is important for sovereign risk assessments made by private sector agencies to be based on strict, objective and transparent parameters and, in this regard, invites the relevant national, regional and international regulatory bodies to consider ways and means to facilitate an adequate oversight of the work of such agencies;

19. *Reaffirms* the need to consider appropriate frameworks for the involvement of the private sector in the prevention and resolution of financial crisis and underscores the importance of a more equitable distribution of the cost of adjustments between the public and private sectors and among debtors, creditors and investors, in particular concerning highly leveraged operations, and, in this regard, requests the United Nations Conference on Trade and Development to make available to the General Assembly at its fifty-sixth session further information on international efforts to consider debt standstill arrangements;

20. *Emphasizes* the important supportive role that stronger regional and subregional financial institutions and arrangements can play in the reform of the international financial architecture and the enhancement of financing for development, and in this regard requests the Secretary-General to continue supporting, inter alia, through collaboration with the regional commissions and regional and subregional initiatives, the ongoing work on the identification of measures to strengthening those institutions and arrangements and contributing to a more stable and predictable international financial system that is responsive to the challenges of development, in particular of developing countries, and requests the Secretary-General to make available the results of those exercises to the General Assembly at its fifty-sixth session;

21. *Encourages* the deepening of the dialogue between the Economic and Social Council and the Bretton Woods institutions, and in this regard recommends that their next high-level meeting consider the modalities needed to further consolidate a broader global agenda for a new international financial architecture, responsive to the priorities of growth and development, especially in developing countries, and to the promotion of economic and social equity in the global

economy, in order to contribute to the preparatory process for the high-level international intergovernmental event on financing for development;

22. *Requests* the Secretary-General to make the present resolution available to the Preparatory Committee for the High-level International Intergovernmental Event on Financing for Development, at its second substantive session, as an input for its work on the systemic issues contained in its preliminary substantive agenda;

23. *Also requests* the Secretary-General, in close cooperation with all relevant entities of the United Nations, including the United Nations Conference on Trade and Development and the regional commissions, in consultation with the Bretton Woods institutions, and taking into account the progress made at the high-level international intergovernmental event on financing for development, to report to the General Assembly at its fifty-sixth session on the implementation of the present resolution under a sub-item entitled "International financial architecture and development, including net transfer of resources between developing and developed countries", with an analysis of the current trend in global financial flows and recommendations to further consolidate a broader global agenda for a new international financial architecture that is responsive to the priorities of growth and development, in particular of developing countries, and to the promotion of economic and social equity in the global economy;

24. *Requests* the President of the General Assembly to submit the present resolution to the Board of Executive Directors of the World Bank and the Executive Board of the International Monetary Fund, before their spring joint annual meeting, in order to bring it to their attention as an input to their discussions on the matters addressed herein.